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MEMORANDUM FOR: Director of Central Intelligence

SUBJECT: Economic Intelligence

1. "Economic Intelligence - An Action Program" (attached) outlines those steps being taken or envisaged to improve the community's response to the economic intelligence needs of our policy makers. It is intended to be responsive to your Presidential Objective E of 6 September 1973, and also addresses the points raised by Mr. Cherne in the PFIAB report on Economic Intelligence of December 1973.

2. This Action Program is the product of extensive consultations with officials in the Washington economic community, including Bill Morell at Treasury. It has been coordinated with Maurice Ernst and [] both of whom contributed useful suggestions. The rationale and recent historical perspective for the Action Program is found in an extensive survey of economic intelligence recently completed.

3. It is recommended that you approve the Action Program for dissemination to USIB and IRAC with copies to PFIAB and CMB. You may wish to include it on your agenda for discussion with Mr. Ash on 18 June.

4. I commend to your attention the performance of [] of my staff who prepared the survey and drafted this Action Program. The survey was undertaken in part to assist [] as the new Economics NIO. His note of appreciation is attached. The survey appears in two versions; a sensitive edition includes material on COMIREX, and an appendix dealing with sensitive unresolved problems. Its distribution will be very limited. An SI edition will receive wider audience, to include EIC member agencies. The former is attached for your quick perusal.

DANIEL O. GRAHAM, LTJ, USA

Daniel O. Graham
Lieutenant General, USA
D/DCI/IC

Attachments
As stated

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[REDACTED]

Distribution:

- 1 - DCI
- 2 - EDCI
- 3 - ER
- 4 - D/DCI/IC
- 5 - Director, OER
- 6 - NIO/Economics
- 7 - PRD/Sakolski
- 8 - PRD/Chrono
- 9 - PRD/Subject
- IC/PRD: J. Lapham (17 Jun 74)
- 10 - IC/Registry

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- ① Econ Intell - - an action Program
- ② [REDACTED] memo to C/PRD re Sakolski
- ③ [REDACTED] 74, May 74, # 3
(Econ Intell
a staff survey)

ADMINISTRATIVE - INTERNAL USE ONLY

12 June 1974

MEMORANDUM TO: C/PRD/IC

FROM : NIO/EC

SUBJECT : [] Help to this Office

Lew:

Just a brief note to express my appreciation for Alan [] efforts in designing a crash course for me on the basic institutional facts about the economic intelligence business. I had every reason to expect him to be helpful, but he has, I think, gone a bit beyond the ordinary call of duty in being of assistance. I was a little nonplussed to find a 40-odd page staff survey in my files when I arrived; my first reaction was that here was another example of that well-known phenomenon common to staff organizations sometimes called "paper proliferation." Well, I was wrong. I have spent several Saturdays going over that survey, an "idiot file," and sundry other items Alan has prepared for me, and I have learned something with each re-reading. I see today that a revised version of [] survey has come out as a formal document. It should be useful to me. So let me congratulate you on having (at least in my bailiwick) a most efficient and helpful staff.

[]
NIO/Economics

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14 June 1974

ECONOMIC INTELLIGENCE--AN ACTION PROGRAM

Among the Objectives for the Intelligence Community that the DCI presented last September in a memorandum to the President was one requiring action to enhance the utility of intelligence in formulating US economic policies. A program to fulfill this commitment is outlined below. It includes steps already initiated.

A. With respect to the management of the community, there will be continuing efforts to increase the effectiveness of the intelligence community in the economic sphere.

Specific steps include:

-- The policy-level Requirements Advisory Board (RAB) established by Secretary Shultz in February 1973 will be reactivated with the assistance of the NIO/Economics. Under the chairmanship of a senior economic policymaker, Treasury's Assistant Secretary for International Affairs, this body should play a central role in identifying users' current needs for economic intelligence. It might best function as a subcommittee of NSCIC.

-- The NIO/Economics has been tasked with drafting the FY 1975 economic Key Intelligence Questions (KIQs), which will be vetted by NSCIC (through RAB machinery) and USIB. He will also review, for currency, DCID 1/2 (US Foreign Intelligence Priorities).

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-- The EIC Chairman will be requested to participate more directly in supplying guidance to Intelligence Community collectors, both the program managers and the principal USIB committees engaged in requirements work. To accomplish these tasks the EIC Chairman will strengthen his secretariat and will establish an effective relationship with the RAB Secretariat.

-- The EIC will continue to provide guidance to the Foreign Service and other non-intelligence reporting officers via the Executive Branch's Combined Economic Reporting Program (CERP), which is administered by the Department of State. This will be done by means of improved triannual "Economic Alert Lists" and the annual "Coordinated Statement of Priorities on Economic, Financial, and Commercial Intelligence Requirements Worldwide of the Washington Economic Community."

-- As appropriate, the Intelligence Resources Advisory Committee (IRAC) will be tasked to recommend appropriate resource levels. Based on the work done in FY 1975, it should be possible for IRAC to examine NIP resources allocated to political-economic intelligence collection in FY 1976.

-- Efforts will be made to identify annually the possible resource impact on the coming five-year consolidated cryptologic program of stated users' needs for economic intelligence support.

B. With respect to the national collection apparatus, economic intelligence responsibilities will be allocated, taking into consideration the capabilities of Federal organizations not a part of the Intelligence Community. The goal will be to achieve greater responsiveness to the needs of policymakers while at the same time minimizing both risks and costs. Specific steps include:

-- The NIO/Economics should assess the limitations and potential of covert activities directed against economic targets, particularly in the Free World. Accordingly, he will review the findings of the recently concluded joint DDO/OER Study of Clandestine Collection of Economic Intelligence, making emendations as necessary, and will recommend actions to be taken.

-- The EIC will evaluate responses from the field to overt collection guidance, taking into account information available from open sources, including reporting of key international economic institutions. In particular, the economic reporting from selected Foreign Service posts will be kept under continuing review. The assignment of and reporting by Treasury attachés will also be reviewed and recommendations made to achieve greater responsiveness to national, rather than departmental, needs.

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-- The EIC Chairman will work closely with NSA to determine if NSA can make a greater contribution in this field, especially with regard to its diplomatic intercept capability.

-- The OER Director will complete his evaluation of the applications of overhead photography for economic intelligence, especially with respect to crops.

C. With respect to the economic intelligence product, efforts will be concentrated on the repercussions of the energy crisis; on economic growth, inflation, and international trade and finance worldwide; on the problems of raw material markets; and on the economic and military implications of the rapidly increasing economic ties between Communist and non-Communist countries. The intelligence product will provide:

-- Increased coverage of important current international economic developments and evaluations of their implications for the United States.

-- Research and analysis to aid US officials in international negotiations on trade, monetary reform, commodities, and other subjects.

-- Improved early warning of evolving international economic problems.

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Past experience clearly indicates that a substantial number of demands placed by policymakers on economic intelligence producers cannot be foreseen far in advance because of the rapidity with which new economic events occur. Thus, economic intelligence producers will be prepared to shift their efforts and resources quickly in line with changing needs.

Efforts will be intensified to improve the quality, scope, utility, and timeliness of the intelligence product by the establishment of better communications with consumers of economic intelligence and the freer interchange of research plans among the Washington economic community. Specific steps include:

- The NIO/Economics will expand his contacts, formal and informal, with consumers of economic intelligence to gain better guidance on subjects of concern to policymakers and to provide more effective feedback to producers and collectors. In particular, the NIO/Economics will seek observer status as the DCI representative on the Bennett Group and will explore the utility of ad hoc representation by the economic intelligence community on the National Advisory Council on International Financial and Monetary Policy.

- The EIC will hold annual meetings to discuss the direction and focus of research programs as

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reflected in the CIEP Periodic Inventory of US Govern-
ment Studies and to determine how these programs
relate to the needs of policy officials.

-- The NIO/Economics will call on all parts of
the Washington economic community and on outside
consultants to assure that intelligence studies
and estimates have the strongest possible basis,
including the employment of relevant analytic
methodologies.

-- The NIO/Economics and the Intelligence
Community Staff's Coordinator for External Research
will provide advice to contract managers of external
research so that their work will meet the require-
ments a wider audience. At the same time, they will
thoroughly review ongoing external economic research
contracts so that, if needed, a recommended program
of work using external sources can be implemented
in FY 76.